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September 3, 2004

Elizabeth O'Donnell, Executive Director
Public Service Commission of Kentucky
211 Sower Blvd.
Post Office Box 615
Frankfort, KY 40601

RECEIVED

SEP 7 2004

PUBLIC SERVICE
COMMISSION

Dear Ms. O'Donnell:

Pursuant to the directive in the final order in Case No. 2004-00196, Kenergy submits the following information:

1. The exact amount of each new CoBank note:

<u>Note Number</u>	<u>Amount</u>	<u>Interest Rate Option</u>
RX0501T16	\$27,026.74	Weekly Variable
RX0501T17	\$53,171.08	Weekly Variable
RX0501T18	\$78,364.53	Weekly Variable
RX0501T19	\$682,481.79	Weekly Variable
RX0501T20	\$984,496.79	Weekly Variable
RX0501T21	<u>\$1,492,094.06</u>	Weekly Variable
	<u>\$3,317,634.99</u>	

2. An updated version of Exhibit 2, Attachment E, reflecting the savings based on the actual amount of each new CoBank loan is enclosed.
3. A copy of the executed loan documents is enclosed.
4. Kenergy confirms that the terms and conditions of the new CoBank loans are consistent with those described in the application.

Sincerely,


Steve Thompson
Vice President Finance

Enclosures

cc: Mark Bailey, President & CEO
Frank N. King Jr., Legal Counsel

AMENDED AND RESTATED MASTER LOAN AGREEMENT

THIS AMENDED AND RESTATED MASTER LOAN AGREEMENT (this "Agreement") is entered into as of August 18, 2004, between **KENERGY CORP.**, a Kentucky corporation (the "Company") and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

BACKGROUND

The Company and CoBank are parties to an Amended and Restated Master Loan Agreement No. ML0501 dated as of July 1, 1999 (the "Existing Agreement"). Pursuant to the terms of the Existing Agreement, the parties entered into one or more Supplements and/or Promissory Note and Supplements thereto (the "Existing Notes and Supplements"). The Company and CoBank now desire to amend and restate the Existing Agreement and to apply such new agreement to the Existing Notes and Supplements, as well as any new Notes and Supplements that may be issued thereunder.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and CoBank agree to amend and restate the Existing Agreement to read as follows:

SECTION 1. Note and Supplements. In the event the Company desires to borrow from CoBank and CoBank is willing to lend to the Company, or in the event the parties desire to consolidate any existing loans hereunder, the parties will enter into a Note and Supplement to this Agreement (a "Note and Supplement"). Each Note and Supplement will set forth CoBank's commitment to make a loan or loans to the Company, the amount of the loan(s), the purpose of the loan(s), the interest rate or rate options applicable to the loan(s), the repayment terms of the loan(s), and any other terms and conditions applicable to the particular loan(s). Each Note and Supplement will also contain a promissory note of the Company setting forth the Company's obligation to make payments of interest on the unpaid principal balance of the loan(s), and fees and premiums, if any, and to repay the principal balance of the loan(s). Each loan will be governed by the terms and conditions contained in this Agreement and in the Note and Supplement relating to that loan.

SECTION 2. Notice and Manner of Borrowing. Loans will be made available on any day on which CoBank and the Federal Reserve Banks are open for business (a "Business Day") upon the telephonic or written request of an authorized employee of the Company. Requests for loans must be received by 12:00 Noon Company's local time on the date the loan is desired. Loans will be made available by wire transfer of immediately available funds. Wire transfers will be made to such account or accounts as may be authorized by the Company.

SECTION 3. Payments. Payments under each Note and Supplement shall be made by wire transfer of immediately available funds, by check, or by automated clearing house (ACH) or other similar cash handling processes as specified by separate agreement between the Company and CoBank. Wire transfers shall be made to ABA No. 307088754 for advice to and credit of "CoBANK" (or to such other account as CoBank may direct by notice). The Company shall give CoBank telephonic notice no later than 12:00 Noon Company's local time of its intent to pay by wire, and funds received after 3:00 p.m. Company's local time shall be credited on the next Business Day. Checks shall be mailed to CoBANK, Department 167, Denver, Colorado, 80291-0167 (or to such other place as CoBank may direct by notice). Credit for payment by check will not be given until the latter of the next Business Day after receipt of the check or the day on which CoBank receives immediately available funds.

SECTION 4. Security, Guarantee(s) and Title Insurance.

(A) Company Security. The Company's obligations under this Agreement and each Note and Supplement shall be secured by a statutory first lien on all equity that the Company may now own or hereafter acquire or be allocated in CoBank. In addition, except as otherwise provided in a Note and Supplement, the Company's obligations hereunder and under each Note and Supplement, shall be secured by a first priority lien (subject only to exceptions approved in writing by CoBank and shared pro rata with the Rural Utilities Service ("RUS") and the National Rural Utilities Cooperative Finance Corporation ("CFC")) on all real and personal property of the Company, whether now existing or hereafter acquired. The Company agrees to take such steps (including the execution, recordation and/or filing of such mortgages, deeds of trust, security agreements, financing statements, and other instruments and documents) as CoBank may from time to time require to enable CoBank to obtain, perfect, and maintain its lien on such property. In addition, the Company agrees to pay all applicable mortgage recording taxes, documentary stamp taxes and like taxes and charges.

(B) (Intentionally Omitted)

SECTION 5. Conditions Precedent.

(A) Conditions to Initial Note and Supplement. CoBank's obligation to extend credit under the initial Note and Supplement hereto is subject to the condition that CoBank receive, in form and content acceptable to CoBank, each of the following:

(1) This Agreement. A duly executed original copy of this Agreement and all instruments and documents contemplated hereby.

(2) Delegation Form. A duly completed and executed original copy of a CoBank Delegation and Wire and Electronic Transfer Authorization Form.

(B) Conditions to Each Note and Supplement. CoBank's obligations to extend credit under each Note and Supplement hereto, including the initial Note and Supplement, is subject to the conditions precedent that CoBank receive, in form and content satisfactory to CoBank, each of the following:

(1) Note and Supplement. A duly executed original copy of the Note and Supplement and all instruments and documents contemplated by the Note and Supplement.

(2) Evidence of Authority. Such certified board resolutions, certificates of incumbency, and other evidence that CoBank may require that the Note and Supplement, all instruments and documents executed in connection therewith, and, in the case of the initial Note and Supplement hereto, this Agreement and all instruments and documents executed in connection herewith, including any security documents, have been duly authorized and executed.

(3) Consents and Approvals. Such evidence as CoBank may require that all regulatory and other consents and approvals referred to in Section 6(D) hereof have been obtained and are in full force and effect.

(4) Fees and Other Charges. Any fees or other charges provided for herein or in the Note and Supplement.

(5) **Insurance.** Such evidence as CoBank may require that the Company is in compliance with Section 7(C) hereof.

(6) **Security.** Such evidence as CoBank shall require that: (a) the Company has taken all steps (including, without limitation, the execution and recordation of such instruments and documents) as CoBank shall require in order for CoBank to obtain and perfect its lien on all collateral for the Company's obligations to CoBank (including any assets to be constructed and/or acquired with the proceeds of the Note and Supplement); (b) CoBank has a first priority lien (shared pro rata as provided in Section 4 hereof and subject only to exceptions approved in writing by CoBank) on all such collateral; and (c) there are no other liens on any property of the Company, other than liens approved in writing by CoBank.

(7) **Opinion of Counsel.** An opinion of counsel to the Company (which counsel must be acceptable to CoBank).

(C) **Conditions to Each Loan.** CoBank's obligation under each Note and Supplement (including the initial Note and Supplement hereto) to make any loan to the Company thereunder, including the initial loan, is subject to the conditions precedent that: (1) no "Event of Default" (as defined in Section 10 hereof) or event which, with the giving of notice and/or the passage of time and/or the occurrence of any other condition, would ripen into an Event of Default (a "Potential Default") shall have occurred and be continuing; (2) each of the representations and warranties of the Company set forth herein, in the Note and Supplement, and in all instruments and documents relating hereto or thereto, including all security documents shall be true and correct as of the date of the loan; and (3) the Company shall have satisfied all conditions and requirements set forth in the Note and Supplement relating to that loan.

SECTION 6. Representations and Warranties. The execution by the Company of each Note and Supplement hereto shall constitute a representation and warranty that:

(A) **Application.** Each representation and warranty and all information set forth in any application or other document submitted in connection with, or to induce CoBank to enter into, such Note and Supplement is correct in all material respects as of the date of such Note and Supplement.

(B) **Budgets.** All budgets, projections, feasibility studies, and other documentation submitted by the Company to CoBank in connection with, or to induce CoBank to enter into, such Note and Supplement are based upon assumptions that are reasonable and realistic, and as of the date of such Note and Supplement, no fact has come to light, and no event has occurred, which would cause any assumption made therein to not be reasonable or realistic.

(C) **Conflicting Agreements.** Neither this Agreement nor any Note and Supplement or other instrument or document securing or otherwise relating hereto or to any Note and Supplement (collectively, at any time, the "Loan Documents") conflicts with, or constitutes (with or without the giving of notice and/or the passage of time and/or the occurrence of any other condition) a default under, any other agreement to which the Company is a party or by which it or any of its property may be bound or affected, and does not conflict with any provision of its bylaws, articles of incorporation or other organizational documents.

(D) **Consents and Approvals.** No consent, permission, authorization, order or license of any governmental authority or of any party to any agreement to which the Company is a party or by which it or any of its property may be bound or affected, is necessary in connection with the project, acquisition or

other activity being financed by such Note and Supplement, or the execution, delivery, performance or enforcement of any Loan Document, except as have been obtained and are in full force and effect.

(E) Compliance. The Company is in compliance with all of the terms of the Loan Documents and no Event of Default or Potential Default exists.

(F) Binding Agreement. The Loan Documents create legal, valid, and binding obligations of the Company which are enforceable in accordance with their terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally.

SECTION 7. Affirmative Covenants. Unless otherwise agreed to in writing by CoBank, while this Agreement is in effect, the Company agrees to:

(A) Corporate Existence, Etc. Preserve and keep in full force and effect its existence and good standing in the jurisdiction of its incorporation or formation, qualify and remain qualified to transact business in all jurisdictions where such qualification is required, and obtain and maintain all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or required by law, rule, regulation, code, ordinance, order or the like (collectively, "Laws").

(B) Compliance With Laws. Comply in all material respects with all applicable Laws, including, without limitation, all Laws relating to environmental protection. In addition, the Company agrees to cause all persons occupying or present on any of its properties to comply in all material respects with all Laws relating to such properties.

(C) Insurance. Maintain insurance with insurance companies or associations acceptable to CoBank in such amounts and covering such risks as are usually carried by companies engaged in the same business and similarly situated, and make such increases in the type or amount of coverage as CoBank may reasonably request. All such policies insuring any collateral for the Company's obligations to CoBank shall have lender or mortgagee loss payable clauses or endorsements in form and content acceptable to CoBank. At CoBank's request, the Company agrees to deliver to CoBank such proof of compliance with this Subsection as CoBank may require.

(D) Property Maintenance. Maintain all of its property that is necessary to or useful in the proper conduct of its business in good repair, working order and condition, ordinary wear and tear excepted, and make all alterations, replacements, and improvements thereto as may from time to time be necessary in order to ensure that its properties remain in good working order and condition. The Company agrees that at CoBank's request, which request may not be made more than once a year, the Company will furnish to CoBank a report on the condition of the Company's property prepared by a professional engineer satisfactory to CoBank.

(E) Books and Records. Keep adequate records and books of account in which complete entries will be made in accordance with generally accepted accounting principles ("GAAP") consistently applied.

(F) Inspection. Permit CoBank or its agents, upon reasonable notice and during normal business hours or at such other times as the parties may agree, to examine its properties, books and records, and to discuss its affairs, finances and accounts with its officers, directors, employees, and independent certified public accountants.

(G) Reports and Notices. Furnish to CoBank:

(1) **Annual Financial Statements.** As soon as available, but in no event more than 120 days after the end of each fiscal year of the Company occurring during the term hereof, annual consolidated and consolidating financial statements of the Company and its consolidated subsidiaries, if any, prepared in accordance with GAAP consistently applied. Such financial statements shall: (a) be audited by independent certified public accountants selected by the Company and acceptable to CoBank; (b) be accompanied by a report of such accountants containing an opinion thereon acceptable to CoBank; (c) be prepared in reasonable detail and in comparative form; and (d) include a balance sheet, a statement of income, a statement of retained earnings, a statement of cash flows, and all notes and schedules relating thereto.

(2) **Interim Financial Statements.** As soon as available, but in no event more than 60 days after the end of each fiscal quarter of the Company, a consolidated balance sheet of the Company and its consolidated subsidiaries, if any, as of the end of such fiscal quarter, a consolidated statement of income for the Company and its consolidated subsidiaries, if any, for such period and for the period year-to-date, and such other interim statements as CoBank may specifically request, all prepared in reasonable detail and in comparative form and on a consolidated basis in accordance with GAAP consistently applied (or the appropriate standards of the regulatory agency having jurisdiction over the Company) and, if required by written notice from CoBank, certified by an authorized officer or employee of the Company acceptable to CoBank.

(3) **Notice of Default.** Promptly after becoming aware thereof, notice of the occurrence of an Event of Default or a Potential Default, including, without limitation, the occurrence of any breach, default, event of default or event which, with the giving of notice and/or the passage of time and/or the occurrence of any other condition, would become a breach, default or event of default under any loan agreement, indenture, mortgage, or other credit or security agreement or instrument to which the Company is a party or by which it or any of its property may be bound or affected.

(4) **Notice of Litigation, Environmental Matters, Etc.** Promptly after becoming aware thereof, notice of: (a) the commencement of any action, suit or proceeding before any court, arbitrator or governmental instrumentality which, if adversely decided, could have a material adverse effect on the condition, financial or otherwise, operations, properties or business of the Company; (b) the receipt of any notice, indictment, pleading or other communication alleging a condition that may require the Company to undertake or to contribute to a clean-up or other response under any environmental Law, or which seeks penalties, damages, injunctive relief, criminal sanctions or other relief as a result of an alleged violation of any such Law, or which claims personal injury or property damage as a result of environmental factors or conditions; and (c) any matter which could have a material adverse effect on the Company, including any decision of any regulatory authority or commission.

(5) **Notice of Certain Events.** Notice of each of the following at least 30 days prior thereto: (a) any change in the Company's name or corporate structure; and (b) any change in the principal place of business of the Company or the office where its records concerning its accounts are kept.

(6) **Annual RUS Form 7.** As soon as available, but in any event within 90 days after the end of each calendar year occurring during the term hereof, a duly completed copy of RUS Form 7 for December 31 of such year.

(7) **Other Information.** Such other information regarding the condition or operations, financial or otherwise, of the Company as CoBank may from time to time reasonably request, including, but not limited to, copies of all pleadings, notices and communications referred to in Subsection (G)(4) above.

(H) Capital. Acquire voting stock in CoBank in such amounts and at such times as CoBank may from time to time require in accordance with its Bylaws and Capital Plan (as each may be amended from time to time), except that the maximum amount of voting stock that the Company may be required to purchase in connection with a loan may not exceed the maximum amount permitted by the Bylaws at the time the Note and Supplement relating to such loan is entered into or such loan is renewed or refinanced by CoBank. The rights and obligations of the parties with respect to such voting stock and any patronage or other distributions made by CoBank shall be governed by CoBank's Bylaws.

SECTION 8. Negative Covenants. Unless otherwise agreed to in writing by CoBank, while this Agreement is in effect, the Company will not:

(A) Other Indebtedness. Create, incur, assume or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money, the deferred purchase price of property or services, or "Restricted Rentals" (as determined and calculated in accordance with the RUS system of accounts (the "RUS System of Accounts")), except for: (1) debt to CoBank; (2) accounts payable to trade creditors; (3) current operating liabilities (other than for borrowed money) incurred in the ordinary course of business; (4) Restricted Rentals in an aggregate amount not to exceed, during any 12 consecutive calendar month period, 5% of the Company's "Equity" (as defined below); (5) leases which should be capitalized on the books of the lessee in accordance with GAAP (or the appropriate standards of the regulatory agency having jurisdiction over the Company) in an aggregate amount not to exceed, at any one time outstanding, \$1,000,000; (6) unsecured indebtedness; (7) purchase money indebtedness incurred with respect to non-utility property and secured by a lien on the property being financed; and (8) debt to RUS and any other lender(s) secured by mortgage or deed of trust to which CoBank is a party. For purposes hereof, "Equity" shall mean "Total Margins and Equities" less "Regulatory Created Assets", both as determined and calculated in accordance with the RUS System of Account.

(B) Mergers, Etc. Merge or consolidate with any other entity or acquire all or a material part of the assets of any other person or entity.

(C) Distributions. Declare or pay any dividends or patronage refunds, or declare or grant any general cancellation or abatement of charges for electric energy or services furnished by the Company, or purchase, retire, or redeem any patronage or other capital, or make any other distribution of any kind (whether in cash or property) to its members, stockholders or consumers, if a Potential Default or Event of Default has occurred and is continuing or would result therefrom, including, without limitation, as a result of a breach of Section 9(B) hereof.

(D) Loans and Investments. Make any loan or advance to, or purchase or make any commitment to purchase any stock, bonds, notes or other securities of, any person or entity, except: (1) securities or deposits issued, guaranteed or fully insured as to payment by the United States of America or any agency thereof; (2) existing investments in generation and transmission cooperatives and investments in CoBank and other lenders organized on a cooperative basis; and (3) such other loans, deposits, advances, and investments as may from time to time be made, purchased or undertaken by the Company; provided, however, that the aggregate cost of such other investments, plus the total unpaid principal amount of such other loans, deposits, and advances shall not at any time exceed 15% of "Net Utility Plant" (as determined in accordance with the RUS System of Accounts).

(E) Contingent Liabilities. Assume, guarantee, become liable as a surety, endorse, contingently agree to purchase, or otherwise be or become liable, directly or indirectly (including, but not limited to, by means of a maintenance agreement, an asset or stock purchase agreement, or any other agreement designed to ensure any creditor against loss), for or on account of the obligation of any person

or entity, except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of the Company's business.

(F) Liens. Create, incur, assume, or allow to exist any mortgage, deed of trust, pledge, lien (including the lien of an attachment, judgment, or execution), security interest, or other encumbrance of any kind upon any of its property, real or personal (collectively, "Liens"), except for: (1) the Lien of any mortgage or deed of trust to which CoBank is a party; (2) Liens permitted by that mortgage or deed of trust; and (3) Liens in favor of CoBank.

SECTION 9. Financial Covenants. Unless otherwise agreed to in writing by CoBank, while this Agreement is in effect:

(A) Modified Debt Service Coverage Ratio. The Company and its consolidated subsidiaries, if any, will have at the end of each fiscal year of the Company shown below, a "Modified Debt Service Coverage Ratio" (as defined below) for such year of not less than 1.25 to 1.00. For purposes hereof, the term "Modified Debt Service Coverage Ratio" shall mean the ratio of: (1) net income (after taxes and after eliminating any gain or loss on sale of assets or other extraordinary gain or loss), plus depreciation expense, amortization expense, and total interest expense, minus non-cash patronage and non-cash income from subsidiaries and/or joint ventures; divided by (2) all principal payments due within the period on all "Long-Term Debt" (as defined below) plus total interest expense (all as calculated on a consolidated basis for the applicable period in accordance with GAAP consistently applied or the appropriate standards of the regulatory agency having jurisdiction over the Company). For purposes hereof, "Long-Term Debt" shall mean, for the Company, on a consolidated basis, the sum of (a) all indebtedness for borrowed money, (b) obligations which are evidenced by notes, bonds, debentures or similar instruments, and (c) that portion of obligations with respect to capital leases or other capitalized agreements that are properly classified as a liability on the balance sheet in conformity with GAAP or which are treated as operating leases under regulations applicable to them but which otherwise would be required to be capitalized under GAAP, in each case having a maturity of more than one year from the date of its creation or having a maturity date within one year from such date but that is renewable or extendible, at the Company's option, to a date more than one year from such date or that arises under a revolving credit or similar agreement that obligates the lender(s) to extend credit during a period of more than one year from such date, including all current maturities in respect of such indebtedness whether or not required to be paid within one year from the date of its creation.

(B) Equity to Assets. The Company and its consolidated subsidiaries, if any, will have at all times, a ratio of consolidated total equity to consolidated total assets (both as determined in accordance with GAAP consistently applied or the appropriate standards of the regulatory agency having jurisdiction over the Company) of not less than .20 to 1.0.

SECTION 10. Events of Default. Each of the following shall constitute an "Event of Default" hereunder:

(A) Payment Default. The Company should fail to make any payment to CoBank when due and such failure shall continue for five days.

(B) Representations and Warranties. Any opinion, certificate or like document furnished to CoBank by or on behalf of the Company, or any representation or warranty made by the Company herein, in any security instrument or document, or in any other Loan Document, shall prove to have been false or misleading in any material respect on or as of the date furnished or made.

(C) Covenants. The Company should fail to perform or comply with any covenant set forth in Section 7 hereof (other than Sections 7(G)(3), (4) and (5) hereof), Section 8 hereof or any Note and Supplement and such failure continues for 30 days after written notice thereof shall have been delivered to the Company by CoBank.

(D) Other Covenants and Agreements. The Company should fail to perform or comply with Sections 7(G)(3), (4) or (5) hereof or any other covenant or agreement contained herein or in a Note and Supplement or shall use the proceeds of any loan for any unauthorized purpose.

(E) Cross Default. The Company should, after any applicable grace period, breach or be in default under the terms of any other Loan Document (including, without limitation, any security instrument or document) or any other agreement between the Company and CoBank.

(F) Other Indebtedness. The Company's obligation to pay any indebtedness for borrowed money or any long-term obligation for the deferred purchase price of property or services shall be accelerated or declared due and payable prior to its scheduled due date as a result of the occurrence of any breach or default under any agreement relating to such indebtedness or obligation. Notwithstanding the foregoing or any other provision hereof, the Company agrees that upon the occurrence and during the continuance of any event giving rise to the right to accelerate such indebtedness or obligation (whether or not such right is conditioned upon the giving of notice and/or the passage of time and/or the occurrence of any other condition), a Potential Default shall be deemed to have occurred and be continuing hereunder.

(G) Judgments. A judgment, decree, or order for the payment of money shall have been rendered against the Company and either: (1) enforcement proceedings shall have been commenced; (2) a Lien prohibited by this Agreement, any security instrument or document, or any other Loan Document shall have been obtained; or (3) such judgment, decree, or order shall continue unsatisfied and in effect for a period of 30 consecutive days without being vacated, discharged, satisfied, or stayed pending appeal.

(H) Insolvency, Etc. The Company shall: (1) become insolvent or shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or (2) suspend its business operations or a material part thereof or make an assignment for the benefit of creditors; or (3) apply for, consent to, or acquiesce in the appointment of a trustee, receiver, or other custodian for it or any of its property; or (4) have commenced against it any action or proceeding for the appointment of a trustee, receiver, or other custodian and such action or proceeding is not dismissed within 30 days of the date thereof or a trustee, receiver, or other custodian is appointed for all or any part of its property; or (5) receive notice from any regulatory or governmental authority to the effect that such authority intends to replace the management of the Company or assume control over the Company; or (6) commence or have commenced against it any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law of any jurisdiction.

(I) Material Adverse Change. Any material adverse change occurs, as reasonably determined by CoBank, in the condition, financial or otherwise, operations, business or properties of the Company or in its ability to perform its obligations hereunder, under any security instrument or document, or under any other Loan Document.

SECTION 11. Remedies. Upon the occurrence and during the continuance of an Event of Default or Potential Default, CoBank shall have no obligation to extend or continue to extend credit to the Company and may discontinue doing so at any time without prior notice or other limitation. In addition, upon the occurrence and during the continuance of any Event of Default, CoBank may, upon notice to the Company:

(A) Termination and Acceleration. Terminate any commitment and declare the unpaid principal balance of the loans, all accrued interest thereon, and all other amounts payable under this Agreement, each Note and Supplement, and all other Loan Documents to be immediately due and payable. Upon such a declaration, the unpaid principal balance of the loans and all such other amounts shall become immediately due and payable, without protest, presentment, demand, or further notice of any kind, all of which are hereby expressly waived by the Company.

(B) Enforcement. Proceed to protect, exercise, and enforce such rights and remedies as may be provided by this Agreement, any security instrument or document, any other Loan Document, or under Law. Each and every one of such rights and remedies shall be cumulative and may be exercised from time to time, and no failure on the part of CoBank to exercise, and no delay in exercising, any right or remedy shall operate as a waiver thereof, and no single or partial exercise of any right or remedy shall preclude any future or other exercise thereof, or the exercise of any other right. Without limiting the foregoing, CoBank may hold and/or set off and apply against the Company's obligations to CoBank the proceeds of any equity in CoBank, any cash collateral held by CoBank, or any balances held by CoBank for the Company's account (whether or not such balances are then due).

(C) Application of Funds. CoBank may apply all payments received by it to the Company's obligations to CoBank in such order and manner as CoBank may elect in its sole discretion.

In addition to the rights and remedies set forth above and notwithstanding any Note and Supplement: (i) upon the occurrence and during the continuance of an Event of Default, at CoBank's option in each instance, the entire indebtedness outstanding hereunder and under each Note and Supplement shall bear interest from the date of such Event of Default until such Event of Default shall have been waived or cured in a manner satisfactory to CoBank at 4% per annum in excess of the rate(s) of interest that would otherwise be in effect on the loans under the terms of the Note and Supplements; and (ii) after the maturity of any loan (whether as a result of acceleration or otherwise), the unpaid principal balance of such loan (including without limitation, principal, interest, fees and expenses) shall automatically bear interest at 4% per annum in excess of the rate(s) of interest that would otherwise be in effect on that loan under the terms of the Note and Supplement. All interest provided for herein shall be payable on demand and shall be calculated on the basis of a year consisting of 360 days.

SECTION 12. Miscellaneous.

(A) Broken Funding Surcharge. Notwithstanding the terms of any Note and Supplement, the Company agrees to provide three Business Days' prior written notice for any prepayment of a fixed rate balance and to pay to CoBank a broken funding surcharge in the amount set forth below in the event the Company: (1) repays any fixed rate balance prior to the last day of its fixed rate period (whether such payment is made voluntarily, as a result of an acceleration, or otherwise); (2) converts any fixed rate balance to another fixed rate or to a variable rate prior to the last day of the fixed rate period applicable to such balance; or (3) fails to borrow any fixed rate balance on the date scheduled therefor. The surcharge shall be in an amount equal to the greater of (i) the sum of: (a) the present value of any funding losses imputed by CoBank to have been incurred as a result of such payment, conversion or failure; plus (b) a per annum yield of 1/2 of 1% of the amount repaid, converted or not borrowed for the period such amount was scheduled to have been outstanding at such fixed rate, and (ii) \$300.00. Such surcharge shall be determined and calculated in accordance with methodology established by CoBank, a copy of which will be made available upon request. Notwithstanding the foregoing, in the event of a conflict between the provisions of this subsection and of the broken funding charge section of a forward fix agreement between CoBank and the Company, the provisions of the forward fix agreement shall control.

(B) Complete Agreement, Amendments, Etc. The Loan Documents are intended by the parties to be a complete and final expression of their agreement. No amendment, modification, or waiver of any provision of this Agreement or the other Loan Documents, and no consent to any departure by the Company herefrom or therefrom, shall be effective unless approved by CoBank and contained in a writing signed by or on behalf of CoBank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. In the event this Agreement is amended or restated, each such amendment or restatement shall be applicable to all Note and Supplements hereto. Each Note and Supplement shall be deemed to incorporate all of the terms and conditions of this Agreement as if fully set forth therein. Without limiting the foregoing, any capitalized term utilized in any Note and Supplement (or in any amendment to this Agreement or Note and Supplement) and not otherwise defined in the Note and Supplement (or amendment) shall have the meaning set forth herein or, if applicable, in the RUS System of Accounts. In the event the RUS System of Accounts is changed after the date hereof, then all such changes shall be applicable hereto, unless CoBank otherwise specifies in writing.

(C) Applicable Law. Except to the extent governed by federal Law, this Agreement and each Note and Supplement shall be governed by the Laws of the State of Colorado, without reference to choice of law doctrine.

(D) Notices. All notices hereunder shall be in writing and shall be deemed to have been duly given upon delivery if personally delivered or sent by facsimile or similar transmission, or three (3) days after mailing if sent by express, certified or registered mail, to the parties at the following addresses (or such other address as either party may specify by like notice):

If to CoBank, as follows:

For general correspondence purposes:
P.O. Box 5110
Denver, Colorado 80217-5110

For direct delivery purposes, when desired:
5500 South Quebec Street
Greenwood Village, Colorado 80111-1914

Attention: Credit Information Services
Fax No.: 303-224-6101

If to the Company, as follows:

Kenergy Corp.
6402 Old Corydon Road
Henderson, Kentucky 42420

Attention: President and CEO
Fax No.: (502) 826-3999

(E) Other Types of Credit. From time to time, CoBank may issue letters of credit or extend other types of credit to or for the account of the Company. In the event the parties desire to do so under the terms of this Agreement, then the agreement of the parties with respect thereto may be set forth in a Note and Supplement to this Agreement and this Agreement shall be applicable thereto.

(F) Costs, Expenses, and Taxes. To the extent allowed by Law, the Company agrees to pay all reasonable out-of-pocket costs and expenses (including the fees and expenses of counsel retained or employed by CoBank) incurred by CoBank and any participants for CoBank in connection with the origination, administration, collection and enforcement of this Agreement and the other Loan Documents, including, without limitation, all costs and expenses incurred in obtaining, perfecting, maintaining, determining the priority of, and releasing any security for the Company's obligations to CoBank, and any stamp, intangible, transfer or like tax incurred in connection with this Agreement or any other Loan Document or the recording hereof or thereof.

(G) Effectiveness and Severability. This Agreement shall continue in effect until: (1) all indebtedness and obligations of the Company under this Agreement and the other Loan Documents shall have been paid or satisfied; (2) CoBank has no commitment to extend credit to or for the account of the Company under any Note and Supplement; and (3) either party sends written notice to the other party terminating this Agreement. Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall be ineffective to the extent of such prohibition or unenforceable without invalidating the remaining provisions hereof or thereof.


(H) Successors and Assigns. This Agreement and the other Loan Documents shall be binding upon and inure to the benefit of the Company and CoBank and their respective successors and assigns, except that the Company may not assign or transfer its rights or obligations under this Agreement or the other Loan Documents without the prior written consent of CoBank.

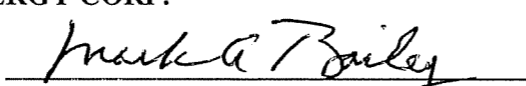
(I) Participations, Etc. From time to time, CoBank may sell to one or more banks, financial institutions or other lenders a participation in one or more of the loans or other extensions of credit made pursuant to this Agreement. However, no such participation shall relieve CoBank of any commitment made to the Company hereunder. In connection with the foregoing, CoBank may disclose information concerning the Company and its subsidiaries, if any, to any participant or prospective participant, provided that such participant or prospective participant agrees to keep such information confidential. A sale of a participation interest may include certain voting rights of the participants regarding the loans hereunder (including without limitation the administration, servicing and enforcement thereof). CoBank agrees to give written notification to the Company of any sale of a participation interest.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB

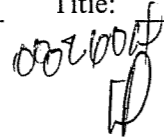
KENERGY CORP.

By: 

By: 

Title: Assistant Corporate Secretary

Title: President & CEO



**PROMISSORY NOTE AND
SUPPLEMENT**
(SINGLE ADVANCE TERM LOAN)

THIS PROMISSORY NOTE AND SUPPLEMENT (this "Promissory Note and Supplement") to the Amended and Restated Master Loan Agreement dated as of August 18, 2004 (the "MLA"), is entered into as of August 18, 2004, between **KENERGY CORP.**, a Kentucky corporation (the "Company"), and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

SECTION 1. The Commitment. On the terms and subject to the conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan (the "Loan") to the Company in an amount not to exceed \$27,026.74 (the "Commitment"). CoBank's obligation to make the Loan shall expire on August 27, 2004, or such later date as CoBank may, in its sole discretion, authorize in writing.

SECTION 2. Purpose. The purpose of the Loan is to refinance the unpaid principal balance of the loan(s) made to the Company by CFC and identified on Exhibit A hereto (the "Existing CFC Loans").

SECTION 3. Availability. Notwithstanding Section 2 of the MLA and provided that each of the conditions precedent set forth herein and in the MLA have been satisfied, the Loan will be made available to the Company on a date to be agreed upon by the parties (the "Closing Date"). The Loan will be made available in a single advance by CoBank wire transferring the proceeds of the Loan to CFC.

SECTION 4. Interest. The Company agrees to pay interest on the unpaid balance of the Loan in accordance with one or more of the following interest rate options, as selected by the Company:

(A) **Weekly Variable Rate Option.** At a rate per annum equal at all times to the rate of interest established by CoBank on the first Business Day of each week. The rate established by CoBank shall be effective until the first Business Day of the next week. Each change in the rate shall be applicable to all balances subject to this option and information about the then current rate shall be made available upon telephonic request.

(B) **Quoted Fixed Rate Option.** At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods as may be agreeable to CoBank in its sole discretion in each instance; provided that: (1) the minimum fixed rate period shall be 180 days; (2) amounts may be fixed in increments of \$100,000 or multiples thereof; and (3) the maximum number of balances that may be subject to this option at any one time shall be five (5).

The Company shall select the applicable rate option at the time it requests the Loan and may, subject to the limitations set forth above, elect to convert balances bearing interest at the variable rate option to the fixed rate option. Upon the expiration of any fixed rate period, interest shall automatically accrue at the variable rate option unless the amount fixed is repaid or fixed for an additional period in accordance with the terms hereof. Notwithstanding the foregoing, rates may not be fixed in such a manner as to cause the Company to have to break any fixed rate balance in order to pay any installment of principal. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 Noon Company's local time. Interest shall be calculated on the actual number of days the Loan is outstanding on the basis of a year consisting of 360 days. Interest shall be: (A) calculated as of the last day of each February, May, August and November and on the final maturity date of the Loan; and (B)

payable by the 20th day of each March, June, September and December and on the final maturity date of the Loan.

SECTION 5. Loan Origination Fee. (Waived by CoBank.)

SECTION 6. Promissory Note. The Company promises to repay the Loan in accordance with the schedule attached hereto as Exhibit B. In addition to the above, the Company promises to pay: (A) interest on the unpaid principal balance of the Loan at the times and in accordance with the provisions set forth above; and (B) all fees and other surcharges provided for herein or in the MLA. If any date on which principal or interest is due is not a Business Day, then such payment shall be due and payable on the next Business Day and, in the case of principal, interest shall continue to accrue on the amount thereof.

SECTION 7. Prepayment. Subject to the Broken Funding Surcharge Section of the MLA, the Company may prepay all or any portion of the Loan. Unless otherwise agreed, all prepayments will be applied to principal installments in the inverse order of their maturity and to such balances, fixed or variable, as CoBank shall specify.

SECTION 8. Security. The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in the Security, Guarantee(s) and Title Insurance Section of the MLA.

SECTION 9. Additional Conditions Precedent. In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make the Loan is subject to the conditions precedent that CoBank shall have received each of the following (which, in the case of instruments and documents, must be in form and content acceptable to CoBank): (A) an original copy, duly executed by the Company and CoBank, of a Supplemental Mortgage (the "Supplemental Mortgage") to the that certain Restated Mortgage and Security Agreement dated as of July 1, 2003, among the Company, RUS, CFC, and CoBank (as amended, restated or supplemented from time to time, the "Mortgage"); (B) a copy of a payoff letter from CFC setting forth, as of the Closing Date, the unpaid principal balance of the Existing CFC Loans, the interest accrued thereon and any prepayment premiums, surcharges and other amounts owing to CFC for or on account of the Existing CFC Loans; (C) a duly completed and executed copy of a request for the Loan; (D) such evidence as may be satisfactory to CoBank that the Company has notified RUS and CFC of the refinancing (as required by Section 2.02 of the Mortgage); and (E) immediately available funds in an amount sufficient to pay all interest accrued on the Existing CFC Loans through the Closing Date, together with all prepayment premiums, surcharges, and other amounts necessary to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loans (the "Additional CFC Payment").

SECTION 10. Additional Affirmative Covenants. In addition to the Affirmative Covenants set forth in the MLA, the Company agrees that: (A) if for any reason the funds remitted to CFC are insufficient to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loans, the Company will promptly make such additional payments to CFC as may be required to discharge such obligations in full; and (B) by December 31, 2004, the Company will: (1) obtain RUS' signature on the Supplemental Mortgage; (2) record the Supplemental Mortgage in all places where the Mortgage has been recorded; (3) furnish to CoBank recorded, file stamped copies of the Supplemental Mortgage; and (4) furnish to CoBank an opinion of its counsel (which opinion and counsel must be acceptable to CoBank) to the effect that the Supplemental Mortgage has been recorded in all places required above and that CoBank and RUS have a duly perfected shared first priority lien (subject only to liens permitted by the Mortgage which are entitled to priority under law) on all property secured by the Mortgage (as supplemented).

IN WITNESS WHEREOF, the parties have caused this Promissory Note and Supplement to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB

By: *Jesse A. Reuster*
Title: Assistant Corporate Secretary

KENERGY CORP.

By: *Mark A. T. Bailey*
Title: President & CEO
Power of Attorney

EXHIBIT A

DESCRIPTION OF EXISTING CFC LOANS TO BE REFINANCED

The Existing CFC Loans are as follows:

LOAN DESIGNATION		PRINCIPAL DUE
KY065900001		\$27,026.74
		\$27,026.74

EXHIBIT B

REPAYMENT SCHEDULE

No.	Payment Date	Principal
1	9/20/2004	1,997.61
2	12/20/2004	2,010.85
3	3/20/2005	2,024.17
4	6/20/2005	2,037.58
5	9/20/2005	2,051.08
6	12/20/2005	2,064.67
7	3/20/2006	2,078.35
8	6/20/2006	2,092.11
9	9/20/2006	2,105.97
10	12/20/2006	2,119.93
11	3/20/2007	2,133.97
12	6/20/2007	2,148.11
13	9/20/2007	2,162.34
	Total	<u>27,026.74</u>

**PROMISSORY NOTE AND
SUPPLEMENT**
(SINGLE ADVANCE TERM LOAN)

THIS PROMISSORY NOTE AND SUPPLEMENT (this "Promissory Note and Supplement") to the Amended and Restated Master Loan Agreement dated as of August 18, 2004 (the "MLA"), is entered into as of August 18, 2004, between **KENERGY CORP.**, a Kentucky corporation (the "Company"), and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

SECTION 1. The Commitment. On the terms and subject to the conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan (the "Loan") to the Company in an amount not to exceed \$53,171.08 (the "Commitment"). CoBank's obligation to make the Loan shall expire on August 27, 2004, or such later date as CoBank may, in its sole discretion, authorize in writing.

SECTION 2. Purpose. The purpose of the Loan is to refinance the unpaid principal balance of the loan(s) made to the Company by CFC and identified on Exhibit A hereto (the "Existing CFC Loans").

SECTION 3. Availability. Notwithstanding Section 2 of the MLA and provided that each of the conditions precedent set forth herein and in the MLA have been satisfied, the Loan will be made available to the Company on a date to be agreed upon by the parties (the "Closing Date"). The Loan will be made available in a single advance by CoBank wire transferring the proceeds of the Loan to CFC.

SECTION 4. Interest. The Company agrees to pay interest on the unpaid balance of the Loan in accordance with one or more of the following interest rate options, as selected by the Company:

(A) **Weekly Variable Rate Option.** At a rate per annum equal at all times to the rate of interest established by CoBank on the first Business Day of each week. The rate established by CoBank shall be effective until the first Business Day of the next week. Each change in the rate shall be applicable to all balances subject to this option and information about the then current rate shall be made available upon telephonic request.

(B) **Quoted Fixed Rate Option.** At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods as may be agreeable to CoBank in its sole discretion in each instance; provided that: (1) the minimum fixed rate period shall be 180 days; (2) amounts may be fixed in increments of \$100,000 or multiples thereof; and (3) the maximum number of balances that may be subject to this option at any one time shall be five (5).

The Company shall select the applicable rate option at the time it requests the Loan and may, subject to the limitations set forth above, elect to convert balances bearing interest at the variable rate option to the fixed rate option. Upon the expiration of any fixed rate period, interest shall automatically accrue at the variable rate option unless the amount fixed is repaid or fixed for an additional period in accordance with the terms hereof. Notwithstanding the foregoing, rates may not be fixed in such a manner as to cause the Company to have to break any fixed rate balance in order to pay any installment of principal. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 Noon Company's local time. Interest shall be calculated on the actual number of days the Loan is outstanding on the basis of a year consisting of 360 days. Interest shall be: (A) calculated as of the last day of each February, May, August and November and on the final maturity date of the Loan; and (B)

payable by the 20th day of each March, June, September and December and on the final maturity date of the Loan.

SECTION 5. Loan Origination Fee. (Waived by CoBank.)

SECTION 6. Promissory Note. The Company promises to repay the Loan in accordance with the schedule attached hereto as Exhibit B. In addition to the above, the Company promises to pay: (A) interest on the unpaid principal balance of the Loan at the times and in accordance with the provisions set forth above; and (B) all fees and other surcharges provided for herein or in the MLA. If any date on which principal or interest is due is not a Business Day, then such payment shall be due and payable on the next Business Day and, in the case of principal, interest shall continue to accrue on the amount thereof.

SECTION 7. Prepayment. Subject to the Broken Funding Surcharge Section of the MLA, the Company may prepay all or any portion of the Loan. Unless otherwise agreed, all prepayments will be applied to principal installments in the inverse order of their maturity and to such balances, fixed or variable, as CoBank shall specify.

SECTION 8. Security. The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in the Security, Guarantee(s) and Title Insurance Section of the MLA.

SECTION 9. Additional Conditions Precedent. In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make the Loan is subject to the conditions precedent that CoBank shall have received each of the following (which, in the case of instruments and documents, must be in form and content acceptable to CoBank): (A) an original copy, duly executed by the Company and CoBank, of a Supplemental Mortgage (the "Supplemental Mortgage") to the that certain Restated Mortgage and Security Agreement dated as of July 1, 2003, among the Company, RUS, CFC, and CoBank (as amended, restated or supplemented from time to time, the "Mortgage"); (B) a copy of a payoff letter from CFC setting forth, as of the Closing Date, the unpaid principal balance of the Existing CFC Loans, the interest accrued thereon and any prepayment premiums, surcharges and other amounts owing to CFC for or on account of the Existing CFC Loans; (C) a duly completed and executed copy of a request for the Loan; (D) such evidence as may be satisfactory to CoBank that the Company has notified RUS and CFC of the refinancing (as required by Section 2.02 of the Mortgage); and (E) immediately available funds in an amount sufficient to pay all interest accrued on the Existing CFC Loans through the Closing Date, together with all prepayment premiums, surcharges, and other amounts necessary to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loans (the "Additional CFC Payment").

SECTION 10. Additional Affirmative Covenants. In addition to the Affirmative Covenants set forth in the MLA, the Company agrees that: (A) if for any reason the funds remitted to CFC are insufficient to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loans, the Company will promptly make such additional payments to CFC as may be required to discharge such obligations in full; and (B) by December 31, 2004, the Company will: (1) obtain RUS' signature on the Supplemental Mortgage; (2) record the Supplemental Mortgage in all places where the Mortgage has been recorded; (3) furnish to CoBank recorded, file stamped copies of the Supplemental Mortgage; and (4) furnish to CoBank an opinion of its counsel (which opinion and counsel must be acceptable to CoBank) to the effect that the Supplemental Mortgage has been recorded in all places required above and that CoBank and RUS have a duly perfected shared first priority lien (subject only to liens permitted by the Mortgage which are entitled to priority under law) on all property secured by the Mortgage (as supplemented).

IN WITNESS WHEREOF, the parties have caused this Promissory Note and Supplement to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB

By: *Jesus G. Ramirez*

Title: Assistant Corporate Secretary

KENERGY CORP.

By: *Markat Bailey*

Title: President & CEO

copy
W

EXHIBIT A

DESCRIPTION OF EXISTING CFC LOANS TO BE REFINANCED

The Existing CFC Loans are as follows:

LOAN DESIGNATION	PRINCIPAL DUE
KY0659001001	\$53,171.08
	\$53,171.08

EXHIBIT B

REPAYMENT SCHEDULE

No.	Payment Date	Principal
1	9/20/2004	2,965.23
2	12/20/2004	2,984.87
3	3/20/2005	3,004.64
4	6/20/2005	3,024.55
5	9/20/2005	3,044.59
6	12/20/2005	3,064.76
7	3/20/2006	3,085.06
8	6/20/2006	3,105.50
9	9/20/2006	3,126.07
10	12/20/2006	3,146.78
11	3/20/2007	3,167.63
12	6/20/2007	3,188.62
13	9/20/2007	3,209.74
14	12/20/2007	3,231.01
15	3/20/2008	3,252.41
16	6/20/2008	3,273.96
17	9/20/2008	3,295.66
Total		<u>53,171.08</u>

**PROMISSORY NOTE AND
SUPPLEMENT**
(SINGLE ADVANCE TERM LOAN)

THIS PROMISSORY NOTE AND SUPPLEMENT (this "Promissory Note and Supplement") to the Amended and Restated Master Loan Agreement dated as of August 18, 2004 (the "MLA"), is entered into as of August 18, 2004, between **KENERGY CORP.**, a Kentucky corporation (the "Company"), and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

SECTION 1. The Commitment. On the terms and subject to the conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan (the "Loan") to the Company in an amount not to exceed \$78,364.53 (the "Commitment"). CoBank's obligation to make the Loan shall expire on August 27, 2004, or such later date as CoBank may, in its sole discretion, authorize in writing.

SECTION 2. Purpose. The purpose of the Loan is to refinance the unpaid principal balance of the loan(s) made to the Company by CFC and identified on Exhibit A hereto (the "Existing CFC Loans").

SECTION 3. Availability. Notwithstanding Section 2 of the MLA and provided that each of the conditions precedent set forth herein and in the MLA have been satisfied, the Loan will be made available to the Company on a date to be agreed upon by the parties (the "Closing Date"). The Loan will be made available in a single advance by CoBank wire transferring the proceeds of the Loan to CFC.

SECTION 4. Interest. The Company agrees to pay interest on the unpaid balance of the Loan in accordance with one or more of the following interest rate options, as selected by the Company:

(A) **Weekly Variable Rate Option.** At a rate per annum equal at all times to the rate of interest established by CoBank on the first Business Day of each week. The rate established by CoBank shall be effective until the first Business Day of the next week. Each change in the rate shall be applicable to all balances subject to this option and information about the then current rate shall be made available upon telephonic request.

(B) **Quoted Fixed Rate Option.** At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods as may be agreeable to CoBank in its sole discretion in each instance; provided that: (1) the minimum fixed rate period shall be 180 days; (2) amounts may be fixed in increments of \$100,000 or multiples thereof; and (3) the maximum number of balances that may be subject to this option at any one time shall be five (5).

The Company shall select the applicable rate option at the time it requests the Loan and may, subject to the limitations set forth above, elect to convert balances bearing interest at the variable rate option to the fixed rate option. Upon the expiration of any fixed rate period, interest shall automatically accrue at the variable rate option unless the amount fixed is repaid or fixed for an additional period in accordance with the terms hereof. Notwithstanding the foregoing, rates may not be fixed in such a manner as to cause the Company to have to break any fixed rate balance in order to pay any installment of principal. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 Noon Company's local time. Interest shall be calculated on the actual number of days the Loan is outstanding on the basis of a year consisting of 360 days. Interest shall be: (A) calculated as of the last day of each February, May, August and November and on the final maturity date of the Loan; and (B)

payable by the 20th day of each March, June, September and December and on the final maturity date of the Loan.

SECTION 5. Loan Origination Fee. (Waived by CoBank.)

SECTION 6. Promissory Note. The Company promises to repay the Loan in accordance with the schedule attached hereto as Exhibit B. In addition to the above, the Company promises to pay: (A) interest on the unpaid principal balance of the Loan at the times and in accordance with the provisions set forth above; and (B) all fees and other surcharges provided for herein or in the MLA. If any date on which principal or interest is due is not a Business Day, then such payment shall be due and payable on the next Business Day and, in the case of principal, interest shall continue to accrue on the amount thereof.

SECTION 7. Prepayment. Subject to the Broken Funding Surcharge Section of the MLA, the Company may prepay all or any portion of the Loan. Unless otherwise agreed, all prepayments will be applied to principal installments in the inverse order of their maturity and to such balances, fixed or variable, as CoBank shall specify.

SECTION 8. Security. The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in the Security, Guarantee(s) and Title Insurance Section of the MLA.

SECTION 9. Additional Conditions Precedent. In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make the Loan is subject to the conditions precedent that CoBank shall have received each of the following (which, in the case of instruments and documents, must be in form and content acceptable to CoBank): (A) an original copy, duly executed by the Company and CoBank, of a Supplemental Mortgage (the "Supplemental Mortgage") to the that certain Restated Mortgage and Security Agreement dated as of July 1, 2003, among the Company, RUS, CFC, and CoBank (as amended, restated or supplemented from time to time, the "Mortgage"); (B) a copy of a payoff letter from CFC setting forth, as of the Closing Date, the unpaid principal balance of the Existing CFC Loans, the interest accrued thereon and any prepayment premiums, surcharges and other amounts owing to CFC for or on account of the Existing CFC Loans; (C) a duly completed and executed copy of a request for the Loan; (D) such evidence as may be satisfactory to CoBank that the Company has notified RUS and CFC of the refinancing (as required by Section 2.02 of the Mortgage); and (E) immediately available funds in an amount sufficient to pay all interest accrued on the Existing CFC Loans through the Closing Date, together with all prepayment premiums, surcharges, and other amounts necessary to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loans (the "Additional CFC Payment").

SECTION 10. Additional Affirmative Covenants. In addition to the Affirmative Covenants set forth in the MLA, the Company agrees that: (A) if for any reason the funds remitted to CFC are insufficient to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loans, the Company will promptly make such additional payments to CFC as may be required to discharge such obligations in full; and (B) by December 31, 2004, the Company will: (1) obtain RUS' signature on the Supplemental Mortgage; (2) record the Supplemental Mortgage in all places where the Mortgage has been recorded; (3) furnish to CoBank recorded, file stamped copies of the Supplemental Mortgage; and (4) furnish to CoBank an opinion of its counsel (which opinion and counsel must be acceptable to CoBank) to the effect that the Supplemental Mortgage has been recorded in all places required above and that CoBank and RUS have a duly perfected shared first priority lien (subject only to liens permitted by the Mortgage which are entitled to priority under law) on all property secured by the Mortgage (as supplemented).

IN WITNESS WHEREOF, the parties have caused this Promissory Note and Supplement to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB

KENERGY CORP.

By: *James L. Reuter*

By: *Mark A. Bailey*

Title: Assistant Corporate Secretary

Title: President & CEO

Mark A. Bailey
ID

EXHIBIT A

DESCRIPTION OF EXISTING CFC LOANS TO BE REFINANCED

The Existing CFC Loans are as follows:

LOAN DESIGNATION	PRINCIPAL DUE
KY0659002001	\$78,364.53
	\$78,364.53

EXHIBIT B

REPAYMENT SCHEDULE

No.	Payment Date	Principal
1	9/20/2004	3,677.32
2	12/20/2004	3,701.68
3	3/20/2005	3,726.21
4	6/20/2005	3,750.89
5	9/20/2005	3,775.74
6	12/20/2005	3,800.76
7	3/20/2006	3,825.94
8	6/20/2006	3,851.28
9	9/20/2006	3,876.80
10	12/20/2006	3,902.48
11	3/20/2007	3,928.34
12	6/20/2007	3,954.36
13	9/20/2007	3,980.56
14	12/20/2007	4,006.93
15	3/20/2008	4,033.48
16	6/20/2008	4,060.20
17	9/20/2008	4,087.10
18	12/20/2008	4,114.17
19	3/20/2009	4,141.43
20	6/20/2009	4,168.86
	Total	<u>78,364.53</u>

**PROMISSORY NOTE AND
SUPPLEMENT**
(SINGLE ADVANCE TERM LOAN)

THIS PROMISSORY NOTE AND SUPPLEMENT (this "Promissory Note and Supplement") to the Amended and Restated Master Loan Agreement dated as of August 18, 2004 (the "MLA"), is entered into as of August 18, 2004, between **KENERGY CORP.**, a Kentucky corporation (the "Company"), and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

SECTION 1. The Commitment. On the terms and subject to the conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan (the "Loan") to the Company in an amount not to exceed \$682,481.79 (the "Commitment"). CoBank's obligation to make the Loan shall expire on August 27, 2004, or such later date as CoBank may, in its sole discretion, authorize in writing.

SECTION 2. Purpose. The purpose of the Loan is to refinance the unpaid principal balance of the loan(s) made to the Company by CFC and identified on Exhibit A hereto (the "Existing CFC Loans").

SECTION 3. Availability. Notwithstanding Section 2 of the MLA and provided that each of the conditions precedent set forth herein and in the MLA have been satisfied, the Loan will be made available to the Company on a date to be agreed upon by the parties (the "Closing Date"). The Loan will be made available in a single advance by CoBank wire transferring the proceeds of the Loan to CFC.

SECTION 4. Interest. The Company agrees to pay interest on the unpaid balance of the Loan in accordance with one or more of the following interest rate options, as selected by the Company:

(A) **Weekly Variable Rate Option.** At a rate per annum equal at all times to the rate of interest established by CoBank on the first Business Day of each week. The rate established by CoBank shall be effective until the first Business Day of the next week. Each change in the rate shall be applicable to all balances subject to this option and information about the then current rate shall be made available upon telephonic request.

(B) **Quoted Fixed Rate Option.** At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods as may be agreeable to CoBank in its sole discretion in each instance; provided that: (1) the minimum fixed rate period shall be 180 days; (2) amounts may be fixed in increments of \$100,000 or multiples thereof; and (3) the maximum number of balances that may be subject to this option at any one time shall be five (5).

The Company shall select the applicable rate option at the time it requests the Loan and may, subject to the limitations set forth above, elect to convert balances bearing interest at the variable rate option to the fixed rate option. Upon the expiration of any fixed rate period, interest shall automatically accrue at the variable rate option unless the amount fixed is repaid or fixed for an additional period in accordance with the terms hereof. Notwithstanding the foregoing, rates may not be fixed in such a manner as to cause the Company to have to break any fixed rate balance in order to pay any installment of principal. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 Noon Company's local time. Interest shall be calculated on the actual number of days the Loan is outstanding on the basis of a year consisting of 360 days. Interest shall be: (A) calculated as of the last day of each February, May, August and November and on the final maturity date of the Loan; and (B)

payable by the 20th day of each March, June, September and December and on the final maturity date of the Loan.

SECTION 5. Loan Origination Fee. (Waived by CoBank.)

SECTION 6. Promissory Note. The Company promises to repay the Loan in accordance with the schedule attached hereto as Exhibit B. In addition to the above, the Company promises to pay: (A) interest on the unpaid principal balance of the Loan at the times and in accordance with the provisions set forth above; and (B) all fees and other surcharges provided for herein or in the MLA. If any date on which principal or interest is due is not a Business Day, then such payment shall be due and payable on the next Business Day and, in the case of principal, interest shall continue to accrue on the amount thereof.

SECTION 7. Prepayment. Subject to the Broken Funding Surcharge Section of the MLA, the Company may prepay all or any portion of the Loan. Unless otherwise agreed, all prepayments will be applied to principal installments in the inverse order of their maturity and to such balances, fixed or variable, as CoBank shall specify.

SECTION 8. Security. The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in the Security, Guarantee(s) and Title Insurance Section of the MLA.

SECTION 9. Additional Conditions Precedent. In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make the Loan is subject to the conditions precedent that CoBank shall have received each of the following (which, in the case of instruments and documents, must be in form and content acceptable to CoBank): (A) an original copy, duly executed by the Company and CoBank, of a Supplemental Mortgage (the "Supplemental Mortgage") to the that certain Restated Mortgage and Security Agreement dated as of July 1, 2003, among the Company, RUS, CFC, and CoBank (as amended, restated or supplemented from time to time, the "Mortgage"); (B) a copy of a payoff letter from CFC setting forth, as of the Closing Date, the unpaid principal balance of the Existing CFC Loans, the interest accrued thereon and any prepayment premiums, surcharges and other amounts owing to CFC for or on account of the Existing CFC Loans; (C) a duly completed and executed copy of a request for the Loan; (D) such evidence as may be satisfactory to CoBank that the Company has notified RUS and CFC of the refinancing (as required by Section 2.02 of the Mortgage); and (E) immediately available funds in an amount sufficient to pay all interest accrued on the Existing CFC Loans through the Closing Date, together with all prepayment premiums, surcharges, and other amounts necessary to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loans (the "Additional CFC Payment").

SECTION 10. Additional Affirmative Covenants. In addition to the Affirmative Covenants set forth in the MLA, the Company agrees that: (A) if for any reason the funds remitted to CFC are insufficient to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loans, the Company will promptly make such additional payments to CFC as may be required to discharge such obligations in full; and (B) by December 31, 2004, the Company will: (1) obtain RUS' signature on the Supplemental Mortgage; (2) record the Supplemental Mortgage in all places where the Mortgage has been recorded; (3) furnish to CoBank recorded, file stamped copies of the Supplemental Mortgage; and (4) furnish to CoBank an opinion of its counsel (which opinion and counsel must be acceptable to CoBank) to the effect that the Supplemental Mortgage has been recorded in all places required above and that CoBank and RUS have a duly perfected shared first priority lien (subject only to liens permitted by the Mortgage which are entitled to priority under law) on all property secured by the Mortgage (as supplemented).

IN WITNESS WHEREOF, the parties have caused this Promissory Note and Supplement to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB

KENERGY CORP.

By: *James L. Reutter* By: *Mark A. Bailey*
Title: Assistant Corporate Secretary Title: President & COO
08/26/07
H

EXHIBIT A

DESCRIPTION OF EXISTING CFC LOANS TO BE REFINANCED

The Existing CFC Loans are as follows:

LOAN DESIGNATION	PRINCIPAL DUE
KY0659009001	\$682,481.79
	\$682,481.79

EXHIBIT B

REPAYMENT SCHEDULE

No.	Payment Date	Principal
1	9/20/2004	7,834.13
2	12/20/2004	7,886.03
3	3/20/2005	7,938.27
4	6/20/2005	7,990.86
5	9/20/2005	8,043.80
6	12/20/2005	8,097.09
7	3/20/2006	8,150.74
8	6/20/2006	8,204.74
9	9/20/2006	8,259.09
10	12/20/2006	8,313.81
11	3/20/2007	8,368.89
12	6/20/2007	8,424.33
13	9/20/2007	8,480.14
14	12/20/2007	8,536.32
15	3/20/2008	8,592.88
16	6/20/2008	8,649.80
17	9/20/2008	8,707.11
18	12/20/2008	8,764.79
19	3/20/2009	8,822.86
20	6/20/2009	8,881.31
21	9/20/2009	8,940.15
22	12/20/2009	8,999.38
23	3/20/2010	9,059.00
24	6/20/2010	9,119.02
25	9/20/2010	9,179.43
26	12/20/2010	9,240.24
27	3/20/2011	9,301.46
28	6/20/2011	9,363.08
29	9/20/2011	9,425.11
30	12/20/2011	9,487.55
31	3/20/2012	9,550.41
32	6/20/2012	9,613.68
33	9/20/2012	9,677.37
34	12/20/2012	9,741.48
35	3/20/2013	9,806.02
36	6/20/2013	9,870.99
37	9/20/2013	9,936.38
38	12/20/2013	10,002.21
39	3/20/2014	10,068.47
40	6/20/2014	10,135.18

41	9/20/2014	10,202.32
42	12/20/2014	10,269.91
43	3/20/2015	10,337.95
44	6/20/2015	10,406.44
45	9/20/2015	10,475.38
46	12/20/2015	10,544.78
47	3/20/2016	10,614.64
48	6/20/2016	10,684.96
49	9/20/2016	10,755.75
50	12/20/2016	10,827.01
51	3/20/2017	10,898.74
52	6/20/2017	10,970.94
53	9/20/2017	11,043.62
54	12/20/2017	11,116.79
55	3/20/2018	11,190.44
56	6/20/2018	11,264.57
57	9/20/2018	11,339.20
58	12/20/2018	11,414.32
59	3/20/2019	11,489.94
60	6/20/2019	11,566.07
61	9/20/2019	11,642.69
62	12/20/2019	11,719.82
63	3/20/2020	11,797.47
64	6/20/2020	11,875.63
65	9/20/2020	11,954.30
66	12/20/2020	12,033.50
67	3/20/2021	12,113.22
68	6/20/2021	12,193.47
69	9/20/2021	12,274.32
	Total	<u>682,481.79</u>

**PROMISSORY NOTE AND
SUPPLEMENT**
(SINGLE ADVANCE TERM LOAN)

THIS PROMISSORY NOTE AND SUPPLEMENT (this "Promissory Note and Supplement") to the Amended and Restated Master Loan Agreement dated as of August 18, 2004 (the "MLA"), is entered into as of August 18, 2004, between **KENERGY CORP.**, a Kentucky corporation (the "Company"), and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

SECTION 1. The Commitment. On the terms and subject to the conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan (the "Loan") to the Company in an amount not to exceed \$984,496.79 (the "Commitment"). CoBank's obligation to make the Loan shall expire on August 27, 2004, or such later date as CoBank may, in its sole discretion, authorize in writing.

SECTION 2. Purpose. The purpose of the Loan is to refinance the unpaid principal balance of the loan(s) made to the Company by CFC and identified on Exhibit A hereto (the "Existing CFC Loans").

SECTION 3. Availability. Notwithstanding Section 2 of the MLA and provided that each of the conditions precedent set forth herein and in the MLA have been satisfied, the Loan will be made available to the Company on a date to be agreed upon by the parties (the "Closing Date"). The Loan will be made available in a single advance by CoBank wire transferring the proceeds of the Loan to CFC.

SECTION 4. Interest. The Company agrees to pay interest on the unpaid balance of the Loan in accordance with one or more of the following interest rate options, as selected by the Company:

(A) **Weekly Variable Rate Option.** At a rate per annum equal at all times to the rate of interest established by CoBank on the first Business Day of each week. The rate established by CoBank shall be effective until the first Business Day of the next week. Each change in the rate shall be applicable to all balances subject to this option and information about the then current rate shall be made available upon telephonic request.

(B) **Quoted Fixed Rate Option.** At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods as may be agreeable to CoBank in its sole discretion in each instance; provided that: (1) the minimum fixed rate period shall be 180 days; (2) amounts may be fixed in increments of \$100,000 or multiples thereof; and (3) the maximum number of balances that may be subject to this option at any one time shall be five (5).

The Company shall select the applicable rate option at the time it requests the Loan and may, subject to the limitations set forth above, elect to convert balances bearing interest at the variable rate option to the fixed rate option. Upon the expiration of any fixed rate period, interest shall automatically accrue at the variable rate option unless the amount fixed is repaid or fixed for an additional period in accordance with the terms hereof. Notwithstanding the foregoing, rates may not be fixed in such a manner as to cause the Company to have to break any fixed rate balance in order to pay any installment of principal. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 Noon Company's local time. Interest shall be calculated on the actual number of days the Loan is outstanding on the basis of a year consisting of 360 days. Interest shall be: (A) calculated as of the last day of each February, May, August and November and on the final maturity date of the Loan; and (B)

payable by the 20th day of each March, June, September and December and on the final maturity date of the Loan.

SECTION 5. Loan Origination Fee. (Waived by CoBank.)

SECTION 6. Promissory Note. The Company promises to repay the Loan in accordance with the schedule attached hereto as Exhibit B. In addition to the above, the Company promises to pay: (A) interest on the unpaid principal balance of the Loan at the times and in accordance with the provisions set forth above; and (B) all fees and other surcharges provided for herein or in the MLA. If any date on which principal or interest is due is not a Business Day, then such payment shall be due and payable on the next Business Day and, in the case of principal, interest shall continue to accrue on the amount thereof.

SECTION 7. Prepayment. Subject to the Broken Funding Surcharge Section of the MLA, the Company may prepay all or any portion of the Loan. Unless otherwise agreed, all prepayments will be applied to principal installments in the inverse order of their maturity and to such balances, fixed or variable, as CoBank shall specify.

SECTION 8. Security. The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in the Security, Guarantee(s) and Title Insurance Section of the MLA.

SECTION 9. Additional Conditions Precedent. In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make the Loan is subject to the conditions precedent that CoBank shall have received each of the following (which, in the case of instruments and documents, must be in form and content acceptable to CoBank): (A) an original copy, duly executed by the Company and CoBank, of a Supplemental Mortgage (the "Supplemental Mortgage") to the that certain Restated Mortgage and Security Agreement dated as of July 1, 2003, among the Company, RUS, CFC, and CoBank (as amended, restated or supplemented from time to time, the "Mortgage"); (B) a copy of a payoff letter from CFC setting forth, as of the Closing Date, the unpaid principal balance of the Existing CFC Loans, the interest accrued thereon and any prepayment premiums, surcharges and other amounts owing to CFC for or on account of the Existing CFC Loans; (C) a duly completed and executed copy of a request for the Loan; (D) such evidence as may be satisfactory to CoBank that the Company has notified RUS and CFC of the refinancing (as required by Section 2.02 of the Mortgage); and (E) immediately available funds in an amount sufficient to pay all interest accrued on the Existing CFC Loans through the Closing Date, together with all prepayment premiums, surcharges, and other amounts necessary to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loans (the "Additional CFC Payment").

SECTION 10. Additional Affirmative Covenants. In addition to the Affirmative Covenants set forth in the MLA, the Company agrees that: (A) if for any reason the funds remitted to CFC are insufficient to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loans, the Company will promptly make such additional payments to CFC as may be required to discharge such obligations in full; and (B) by December 31, 2004, the Company will: (1) obtain RUS' signature on the Supplemental Mortgage; (2) record the Supplemental Mortgage in all places where the Mortgage has been recorded; (3) furnish to CoBank recorded, file stamped copies of the Supplemental Mortgage; and (4) furnish to CoBank an opinion of its counsel (which opinion and counsel must be acceptable to CoBank) to the effect that the Supplemental Mortgage has been recorded in all places required above and that CoBank and RUS have a duly perfected shared first priority lien (subject only to liens permitted by the Mortgage which are entitled to priority under law) on all property secured by the Mortgage (as supplemented).

IN WITNESS WHEREOF, the parties have caused this Promissory Note and Supplement to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB

By: *Jessie L. Denton*

Title: Assistant Corporate Secretary

KENERGY CORP.

By: *Mark A. Bailey*

Title: President & CEO

OBWAP
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EXHIBIT A

DESCRIPTION OF EXISTING CFC LOANS TO BE REFINANCED

The Existing CFC Loans are as follows:

LOAN DESIGNATION	PRINCIPAL DUE
KY06590011001	\$984,496.79
	\$984,496.79

EXHIBIT B

REPAYMENT SCHEDULE

No.	Payment Date	Principal
1	9/20/2004	7,068.97
2	12/20/2004	7,115.81
3	3/20/2005	7,162.95
4	6/20/2005	7,210.40
5	9/20/2005	7,258.17
6	12/20/2005	7,306.26
7	3/20/2006	7,354.66
8	6/20/2006	7,403.39
9	9/20/2006	7,452.43
10	12/20/2006	7,501.81
11	3/20/2007	7,551.51
12	6/20/2007	7,601.53
13	9/20/2007	7,651.89
14	12/20/2007	7,702.59
15	3/20/2008	7,753.62
16	6/20/2008	7,804.99
17	9/20/2008	7,856.69
18	12/20/2008	7,908.74
19	3/20/2009	7,961.14
20	6/20/2009	8,013.88
21	9/20/2009	8,066.97
22	12/20/2009	8,120.42
23	3/20/2010	8,174.22
24	6/20/2010	8,228.37
25	9/20/2010	8,282.88
26	12/20/2010	8,337.76
27	3/20/2011	8,392.99
28	6/20/2011	8,448.60
29	9/20/2011	8,504.57
30	12/20/2011	8,560.91
31	3/20/2012	8,617.63
32	6/20/2012	8,674.72
33	9/20/2012	8,732.19
34	12/20/2012	8,790.04
35	3/20/2013	8,848.27
36	6/20/2013	8,906.89
37	9/20/2013	8,965.90
38	12/20/2013	9,025.30
39	3/20/2014	9,085.09
40	6/20/2014	9,145.28
41	9/20/2014	9,205.87

42	12/20/2014	9,266.86
43	3/20/2015	9,328.25
44	6/20/2015	9,390.05
45	9/20/2015	9,452.26
46	12/20/2015	9,514.88
47	3/20/2016	9,577.92
48	6/20/2016	9,641.37
49	9/20/2016	9,705.25
50	12/20/2016	9,769.54
51	3/20/2017	9,834.27
52	6/20/2017	9,899.42
53	9/20/2017	9,965.00
54	12/20/2017	10,031.02
55	3/20/2018	10,097.48
56	6/20/2018	10,164.37
57	9/20/2018	10,231.71
58	12/20/2018	10,299.50
59	3/20/2019	10,367.73
60	6/20/2019	10,436.42
61	9/20/2019	10,505.56
62	12/20/2019	10,575.16
63	3/20/2020	10,645.22
64	6/20/2020	10,715.74
65	9/20/2020	10,786.73
66	12/20/2020	10,858.20
67	3/20/2021	10,930.13
68	6/20/2021	11,002.54
69	9/20/2021	11,075.44
70	12/20/2021	11,148.81
71	3/20/2022	11,222.67
72	6/20/2022	11,297.02
73	9/20/2022	11,371.86
74	12/20/2022	11,447.20
75	3/20/2023	11,523.04
76	6/20/2023	11,599.38
77	9/20/2023	11,676.23
78	12/20/2023	11,753.58
79	3/20/2024	11,831.45
80	6/20/2024	11,909.83
81	9/20/2024	11,988.74
82	12/20/2024	12,068.16
83	3/20/2025	12,148.11
84	6/20/2025	12,228.59
85	9/20/2025	12,309.61
86	12/20/2025	12,391.16
87	3/20/2026	12,473.25

88	6/20/2026	12,555.89
89	9/20/2026	12,639.07
90	12/20/2026	12,722.80
91	3/20/2027	12,807.09
92	6/20/2027	12,891.94
93	9/20/2027	12,977.35
94	12/20/2027	13,063.32
95	3/20/2028	13,149.87
96	6/20/2028	13,236.98
97	9/20/2028	13,324.68
98	12/20/2028	13,412.96
99	3/20/2029	13,501.83
Total		<u>984,496.79</u>

**PROMISSORY NOTE AND
SUPPLEMENT**
(SINGLE ADVANCE TERM LOAN)

THIS PROMISSORY NOTE AND SUPPLEMENT (this "Promissory Note and Supplement") to the Amended and Restated Master Loan Agreement dated as of August 18, 2004 (the "MLA"), is entered into as of August 18, 2004, between **KENERGY CORP.**, a Kentucky corporation (the "Company"), and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

SECTION 1. The Commitment. On the terms and subject to the conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan (the "Loan") to the Company in an amount not to exceed \$1,492,094.06 (the "Commitment"). CoBank's obligation to make the Loan shall expire on August 27, 2004, or such later date as CoBank may, in its sole discretion, authorize in writing.

SECTION 2. Purpose. The purpose of the Loan is to refinance the unpaid principal balance of the loan(s) made to the Company by CFC and identified on Exhibit A hereto (the "Existing CFC Loans").

SECTION 3. Availability. Notwithstanding Section 2 of the MLA and provided that each of the conditions precedent set forth herein and in the MLA have been satisfied, the Loan will be made available to the Company on a date to be agreed upon by the parties (the "Closing Date"). The Loan will be made available in a single advance by CoBank wire transferring the proceeds of the Loan to CFC.

SECTION 4. Interest. The Company agrees to pay interest on the unpaid balance of the Loan in accordance with one or more of the following interest rate options, as selected by the Company:

(A) **Weekly Variable Rate Option.** At a rate per annum equal at all times to the rate of interest established by CoBank on the first Business Day of each week. The rate established by CoBank shall be effective until the first Business Day of the next week. Each change in the rate shall be applicable to all balances subject to this option and information about the then current rate shall be made available upon telephonic request.

(B) **Quoted Fixed Rate Option.** At a fixed rate per annum to be quoted by CoBank in its sole discretion in each instance. Under this option, rates may be fixed on such balances and for such periods as may be agreeable to CoBank in its sole discretion in each instance; provided that: (1) the minimum fixed rate period shall be 180 days; (2) amounts may be fixed in increments of \$100,000 or multiples thereof; and (3) the maximum number of balances that may be subject to this option at any one time shall be five (5).

The Company shall select the applicable rate option at the time it requests the Loan and may, subject to the limitations set forth above, elect to convert balances bearing interest at the variable rate option to the fixed rate option. Upon the expiration of any fixed rate period, interest shall automatically accrue at the variable rate option unless the amount fixed is repaid or fixed for an additional period in accordance with the terms hereof. Notwithstanding the foregoing, rates may not be fixed in such a manner as to cause the Company to have to break any fixed rate balance in order to pay any installment of principal. All elections provided for herein shall be made telephonically or in writing and must be received by 12:00 Noon Company's local time. Interest shall be calculated on the actual number of days the Loan is outstanding on the basis of a year consisting of 360 days. Interest shall be: (A) calculated as of the last

day of each February, May, August and November and on the final maturity date of the Loan; and (B) payable by the 20th day of each March, June, September and December and on the final maturity date of the Loan.

SECTION 5. Loan Origination Fee. (Waived by CoBank.)

SECTION 6. Promissory Note. The Company promises to repay the Loan in accordance with the schedule attached hereto as Exhibit B. In addition to the above, the Company promises to pay: (A) interest on the unpaid principal balance of the Loan at the times and in accordance with the provisions set forth above; and (B) all fees and other surcharges provided for herein or in the MLA. If any date on which principal or interest is due is not a Business Day, then such payment shall be due and payable on the next Business Day and, in the case of principal, interest shall continue to accrue on the amount thereof.

SECTION 7. Prepayment. Subject to the Broken Funding Surcharge Section of the MLA, the Company may prepay all or any portion of the Loan. Unless otherwise agreed, all prepayments will be applied to principal installments in the inverse order of their maturity and to such balances, fixed or variable, as CoBank shall specify.

SECTION 8. Security. The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in the Security, Guarantee(s) and Title Insurance Section of the MLA.

SECTION 9. Additional Conditions Precedent. In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make the Loan is subject to the conditions precedent that CoBank shall have received each of the following (which, in the case of instruments and documents, must be in form and content acceptable to CoBank): (A) an original copy, duly executed by the Company and CoBank, of a Supplemental Mortgage (the "Supplemental Mortgage") to the that certain Restated Mortgage and Security Agreement dated as of July 1, 2003, among the Company, RUS, CFC, and CoBank (as amended, restated or supplemented from time to time, the "Mortgage"); (B) a copy of a payoff letter from CFC setting forth, as of the Closing Date, the unpaid principal balance of the Existing CFC Loans, the interest accrued thereon and any prepayment premiums, surcharges and other amounts owing to CFC for or on account of the Existing CFC Loans; (C) a duly completed and executed copy of a request for the Loan; (D) such evidence as may be satisfactory to CoBank that the Company has notified RUS and CFC of the refinancing (as required by Section 2.02 of the Mortgage); and (E) immediately available funds in an amount sufficient to pay all interest accrued on the Existing CFC Loans through the Closing Date, together with all prepayment premiums, surcharges, and other amounts necessary to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loans (the "Additional CFC Payment").

SECTION 10. Additional Affirmative Covenants. In addition to the Affirmative Covenants set forth in the MLA, the Company agrees that: (A) if for any reason the funds remitted to CFC are insufficient to discharge all of the Company's obligations to CFC for or on account of the Existing CFC Loans, the Company will promptly make such additional payments to CFC as may be required to discharge such obligations in full; and (B) by December 31, 2004, the Company will: (1) obtain RUS' signature on the Supplemental Mortgage; (2) record the Supplemental Mortgage in all places where the Mortgage has been recorded; (3) furnish to CoBank recorded, file stamped copies of the Supplemental Mortgage; and (4) furnish to CoBank an opinion of its counsel (which opinion and counsel must be acceptable to CoBank) to the effect that the Supplemental Mortgage has been recorded in all places required above and that CoBank and RUS have a duly perfected shared first priority lien (subject only to

liens permitted by the Mortgage which are entitled to priority under law) on all property secured by the Mortgage (as supplemented).

IN WITNESS WHEREOF, the parties have caused this Promissory Note and Supplement to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB

By: *Jessica L. Austin*
Assistant Corporate Secretary

Title: _____

KENERGY CORP.

By: *Mark A. Bailey*
Title: *President of Corp*

copy ID

EXHIBIT A

DESCRIPTION OF EXISTING CFC LOANS TO BE REFINANCED

The Existing CFC Loans are as follows:

LOAN DESIGNATION	PRINCIPAL DUE
KY06590012001	\$1,492,094.06
	\$1,492,094.06

EXHIBIT B**REPAYMENT SCHEDULE**

No.	Payment Date	Principal
1	9/20/2004	8,694.70
2	12/20/2004	8,752.31
3	3/20/2005	8,810.29
4	6/20/2005	8,868.66
5	9/20/2005	8,927.41
6	12/20/2005	8,986.56
7	3/20/2006	9,046.09
8	6/20/2006	9,106.02
9	9/20/2006	9,166.35
10	12/20/2006	9,227.08
11	3/20/2007	9,288.21
12	6/20/2007	9,349.74
13	9/20/2007	9,411.68
14	12/20/2007	9,474.04
15	3/20/2008	9,536.80
16	6/20/2008	9,599.98
17	9/20/2008	9,663.58
18	12/20/2008	9,727.60
19	3/20/2009	9,792.05
20	6/20/2009	9,856.92
21	9/20/2009	9,922.22
22	12/20/2009	9,987.96
23	3/20/2010	10,054.13
24	6/20/2010	10,120.74
25	9/20/2010	10,187.79
26	12/20/2010	10,255.28
27	3/20/2011	10,323.22
28	6/20/2011	10,391.61
29	9/20/2011	10,460.46
30	12/20/2011	10,529.76
31	3/20/2012	10,599.52
32	6/20/2012	10,669.74
33	9/20/2012	10,740.43
34	12/20/2012	10,811.58
35	3/20/2013	10,883.21
36	6/20/2013	10,955.31
37	9/20/2013	11,027.89
38	12/20/2013	11,100.95
39	3/20/2014	11,174.49
40	6/20/2014	11,248.52
41	9/20/2014	11,323.05
42	12/20/2014	11,398.06
43	3/20/2015	11,473.57
44	6/20/2015	11,549.58

45	9/20/2015	11,626.10
46	12/20/2015	11,703.12
47	3/20/2016	11,780.66
48	6/20/2016	11,858.70
49	9/20/2016	11,937.27
50	12/20/2016	12,016.35
51	3/20/2017	12,095.96
52	6/20/2017	12,176.10
53	9/20/2017	12,256.76
54	12/20/2017	12,337.96
55	3/20/2018	12,419.70
56	6/20/2018	12,501.98
57	9/20/2018	12,584.81
58	12/20/2018	12,668.18
59	3/20/2019	12,752.11
60	6/20/2019	12,836.59
61	9/20/2019	12,921.64
62	12/20/2019	13,007.24
63	3/20/2020	13,093.41
64	6/20/2020	13,180.16
65	9/20/2020	13,267.48
66	12/20/2020	13,355.37
67	3/20/2021	13,443.85
68	6/20/2021	13,532.92
69	9/20/2021	13,622.57
70	12/20/2021	13,712.82
71	3/20/2022	13,803.67
72	6/20/2022	13,895.12
73	9/20/2022	13,987.18
74	12/20/2022	14,079.84
75	3/20/2023	14,173.12
76	6/20/2023	14,267.02
77	9/20/2023	14,361.54
78	12/20/2023	14,456.68
79	3/20/2024	14,552.46
80	6/20/2024	14,648.87
81	9/20/2024	14,745.91
82	12/20/2024	14,843.61
83	3/20/2025	14,941.95
84	6/20/2025	15,040.94
85	9/20/2025	15,140.58
86	12/20/2025	15,240.89
87	3/20/2026	15,341.86
88	6/20/2026	15,443.50
89	9/20/2026	15,545.81
90	12/20/2026	15,648.80
91	3/20/2027	15,752.48
92	6/20/2027	15,856.84
93	9/20/2027	15,961.89

94	12/20/2027	16,067.64
95	3/20/2028	16,174.08
96	6/20/2028	16,281.24
97	9/20/2028	16,389.10
98	12/20/2028	16,497.68
99	3/20/2029	16,606.98
100	6/20/2029	16,717.00
101	9/20/2029	16,827.75
102	12/20/2029	16,939.23
103	3/20/2030	17,051.45
104	6/20/2030	17,164.42
105	9/20/2030	17,278.13
106	12/20/2030	17,392.60
107	3/20/2031	17,507.83
108	6/20/2031	17,623.82
109	9/20/2031	17,740.57
110	12/20/2031	17,858.11
111	3/20/2032	17,976.42
112	6/20/2032	18,095.51
113	9/20/2032	18,215.39
114	12/20/2032	18,336.07
115	3/20/2033	18,457.53
Total		<u>1,492,094.06</u>

REVISED EXHIBIT 2
AUGUST 26, 2004

Line
No.

(a) (b) (c) (d) (e) (f) (g) (h)

**Comparison of Cobank vs. CFC
Six CFC notes at 8/26/04
Principal outstanding \$3,317,635**

Year	One year fixed rate:			Variable rate:		
	Nominal	2.75%	3.05%	2.35%	2.65%	
After capital credits	2.03%	2.68%		1.61%	2.43%	
	Cobank	CFC		Cobank	CFC	
	Net cash	Net cash	Difference	Net cash	Net cash	Difference
	flow	flow		flow	flow	
2004	\$27,275	\$45,171	-\$17,896	\$22,903	\$40,539	-\$17,636
2005	\$79,650	\$87,859	-\$8,209	\$66,881	\$79,498	-\$12,617
2006	\$76,315	\$84,339	-\$8,024	\$64,081	\$76,195	-\$12,114
2007	\$72,899	\$80,710	-\$7,811	\$61,212	\$73,012	-\$11,800
2008	\$69,548	\$77,115	-\$7,567	\$58,398	\$69,458	-\$11,060
2009	\$66,433	\$73,757	-\$7,324	\$55,783	\$66,326	-\$10,543
2010	\$63,662	\$70,792	-\$7,130	\$53,456	\$63,557	-\$10,101
2011	\$60,877	\$67,827	-\$6,950	\$51,118	\$60,973	-\$9,855
2012	\$57,602	\$64,773	-\$7,171	\$48,223	\$57,969	-\$9,746
2013	\$54,618	\$61,623	-\$7,005	\$45,200	\$55,060	-\$9,860
2014	\$51,322	\$58,376	-\$7,054	\$43,295	\$52,074	-\$8,779
2015	\$48,632	\$55,029	-\$6,397	\$41,074	\$49,147	-\$8,073
2016	\$45,754	\$51,579	-\$5,825	\$38,459	\$45,862	-\$7,403
2017	\$41,153	\$48,022	-\$6,869	\$34,333	\$42,629	-\$8,296
2018	\$33,876	\$44,356	-\$10,480	\$27,593	\$39,310	-\$11,717
2019	\$22,991	\$38,545	-\$15,554	\$17,261	\$34,163	-\$16,902
2020	\$10,611	\$34,120	-\$23,509	\$5,445	\$30,089	-\$24,644
2021	\$7,501	\$30,202	-\$22,701	\$2,913	\$26,588	-\$23,675
2022	\$5,149	\$27,030	-\$21,881	\$1,020	\$23,749	-\$22,729
2023	\$3,600	\$24,307	-\$20,707	-\$119	\$21,381	-\$21,500
2024	\$2,228	\$21,486	-\$19,258	-\$1,071	\$18,810	-\$19,881
2025	\$816	\$18,565	-\$17,749	-\$2,051	\$16,222	-\$18,273
2026	-\$640	\$15,555	-\$16,195	-\$3,064	\$13,565	-\$16,629
2027	-\$2,144	\$12,451	-\$14,595	-\$4,112	\$10,870	-\$14,982
2028	-\$4,356	\$9,252	-\$13,608	-\$5,859	\$8,036	-\$13,895
2029	-\$6,602	\$6,225	-\$12,827	-\$7,679	\$5,389	-\$13,068
2030	-\$7,747	\$4,300	-\$12,047	-\$8,543	\$3,709	-\$12,252
2031	-\$8,310	\$2,423	-\$10,733	-\$8,827	\$2,087	-\$10,914
2032	-\$8,859	\$486	-\$9,345	-\$9,091	\$405	-\$9,496
2033	-\$8,957	-\$1,136	-\$7,821	-\$8,969	-\$1,004	-\$7,965
2034	-\$7,469	-\$1,165	-\$6,304	-\$7,469	-\$1,030	-\$6,439
2035	-\$5,384	-\$1,050	-\$4,334	-\$5,384	-\$927	-\$4,457
2036	-\$3,982	-\$933	-\$3,049	-\$3,982	-\$822	-\$3,160
2037	-\$2,587	-\$844	-\$1,743	-\$2,587	-\$742	-\$1,845
2038	-\$1,157	-\$760	-\$397	-\$1,157	-\$667	-\$490
2039	-\$60	-\$673	\$613	-\$60	-\$590	\$530
2040	\$0	-\$584	\$584	\$0	-\$511	\$511
2041	\$0	-\$492	\$492	\$0	-\$430	\$430
2042	\$0	-\$397	\$397	\$0	-\$346	\$346
2043	\$0	-\$299	\$299	\$0	-\$261	\$261
2044	\$0	-\$215	\$215	\$0	-\$187	\$187
2045	\$0	-\$158	\$158	\$0	-\$138	\$138
2046	\$0	-\$99	\$99	\$0	-\$86	\$86
2047	\$0	-\$39	\$39	\$0	-\$34	\$34
2048	\$0	\$0	\$0	\$0	\$0	\$0
	\$834,258	\$1,207,431	-\$373,173	\$658,624	\$1,078,897	-\$420,273

54 Net present value of cash flows:

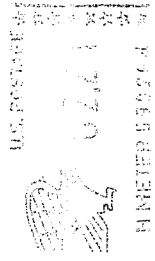
Discount rate	Cobank	CFC	Difference	Cobank	CFC	Difference
6%	\$573,938	\$726,902	-\$152,964	\$470,226	\$651,619	-\$181,394
4%	\$648,519	\$847,636	-\$199,117	\$526,960	\$759,134	-\$232,174
2%	\$735,325	\$1,003,286	-\$267,961	\$590,540	\$897,569	-\$307,029
0%	\$834,258	\$1,207,431	-\$373,173	\$658,624	\$1,078,897	-\$420,273

62 Net Cash flow represents interest payments less capital credit allocations

63 CFC will charge a prepayment fee of \$13,300, which Cobank will reimburse Kenergy.

64 Cobank will waive their legal fees, Kenergy will incur an estimated \$1,000 legal fees.

65 A filing with the Public Service commission is required, with Kenergy incurring minimal staff time and legal fees.



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**PUBLIC SERVICE
COMMISSION**



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